FOREIGN AGRICULTURE

Cotton bales in Spanish warehouse

- Good Prospects for U.S. Cotton In Southern Europe
- World Food Prices

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This week's cover:

Cotton bales in a spinning-mill warehouse in Spain, a top U.S. cotton market in Southern Europe and an unusually good market this year. Increased purchases by Spain, in fact, are a major reason behind optimism over U.S. sales to Southern Europe, this season. See article opposite.

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U.S. Cotton Export Prospects Brighten in Southern Europe

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PROSPECTS for 1977/78 (August-July 31) U.S. cotton exports to Southern Europe are good.

The U.S. share of both the Portuguese and Spanish markets should increase in 1977/78—provided U.S. supplies are adequate——with Spain possibly becoming the top U.S. cotton market in Europe. Italian takings of U.S. cotton are expected to be maintained at the 1976/77 level, while Greece will continue to import good-quality U.S. cotton despite the prospect of some decline in the total import if Greece resumes normal trade relations with Turkey.

Production capacities in the four countries were well utilized during early 1977. Even so, spinners indicated concern over rising but widely fluctuating cotton prices, increasing labor demands, and relatively low yarn prices. Some spinners pointed out that to maintain operations at full capacity, substitution of more attractively priced synthetic fibers for cotton may be necessary.

Portugal and Greece, both major yarn exporters, are having good success in selling yarns in Northern Europe. The domestic market is the mainstay of the textile industries of Italy and Spain—where textile offtakes are slow, reflecting continued economic difficulties and the cost-price squeeze on cotton yarns.

The United States supplied an estimated 8 percent of the raw cotton imports into Portugal, Spain, Italy, and Greece in marketing year 1975/76 when U.S. raw cotton export prices were out of line with world prices. Under normal conditions the United States accounts for about 15 percent of their raw cotton imports, and in 1976/77 the U.S. share is expected to exceed this percentage. The improved U.S. share can largely be attributed to a closing of the price gap plus the availability of good-quality U.S. cotton, mostly Middling grade (M), from the western and delta regions. Some utility cotton from the Southwest is also being used by Portugal, Spain, and Italy in open-end spinning.

Problems that U.S. exporters may expect to encounter in boosting exports to these markets are:

- The freight rate disadvantage;
- Longer delivery time than most competitors;
- The so-called overginned stigma attached to high-quality U.S. cotton.

The prevailing ocean freight rates give many competitive foreign growths a 2 to 3 cents per pound freight rate advantage. Merchants in Bremen, Le Havre, and Liverpool can offer Soviet, African, South American, and Turkish cottons from their own stocks for quick delivery to Spain, Italy, and Portugal. The overginned stigma is related to the gin preparation of U.S. machine-picked cotton, while most competitive growths are hand picked. It should be noted, however, that about one-half of Soviet cotton is now machine picked, and there is a trend toward more machine picking in most other major cotton-producing countries.

U.S. cotton has several advantages. There is a wide range of quality characteristics to meet the specific needs of manufacturers in spinning a variety of yarn counts. Continuous communications are maintained through agents and local merchants between mill customers and sellers at origin. Most U.S. cotton is shipped in containers. And manufacturers understand that the United States is a reliable supplier of raw cotton.

Portugal. The Portuguese cotton textile industry continues to be a stalwart performer, registering strong growth and accounting for nearly one-quarter of Portugal's export earnings. The textile industry has not been nationalized. In contrast, 60 percent of Portugal's industries have been nationalized, and the economy as a whole has been

The authors visited Portugal, Spain, Italy, and Greece during February.

plagued with high inflation and unemployment and slumping foreign exchange reserves.

The Portuguese cotton textile industry, consisting of over 1.5 million spindles and 10,000 open-end rotors, is operating at near 100 percent of capacity. More than 65 percent of the annual mill consumption of cotton goes into export markets as yarn and fabric, mainly to the United Kingdom and the Scandinavian countries.

The quality of Portugal's cotton yarns and fabric is very good. Major spinners concentrate on relatively high-count combed yarns for export and produce significant quantities of low- to medium-count carded yarns to meet domestic demand. The demand for lower count yarns for knitting has prompted the installation of open-end rotors.

In February, yarn order books were full through June, and some of the larger mills were refusing to accept orders beyond June. They felt that the price of cotton could not go much higher and, therefore, were afraid to purchase substantial quantities of cotton for delivery in the July-September period.

At the beginning of February, Portuguese cotton merchants and manufacturers were jointly holding about 115,000 bales of raw cotton stocks. The manufacturers owned about two-thirds of the stocks, and merchants, the remainder. Additional cotton has been ordered to fill merchant and mill requirements through June.

It is estimated that 80 to 85 percent of all cotton sold in Portugal is marketed by merchants, and most of the remaining 15-20 percent is handled by commission agents. Some mills have an affiliated buying company or merchant organization operating from the same administrative office as the other mill business. Perhaps as much as 20 percent of Portugal's cotton imports are purchased by the mills through such affiliated merchant companies.

U.S. cotton exports to Portugal in 1975/76 amounted to only about 5,000 bales owing to high U.S. prices. However, U.S. exports in the current year (1976/77) should reach 70,000 to 80,000 bales, with the trade dominated by Acala SJV selections stapling 1 3/32 to 1⅛ inches.

Short-staple Texas high-plains cotton is also going into the Portuguese mills for coarse-count open-end spinning.

Non-U.S. growths in the Portuguese markets in 1976/77 in substantial quantity are Turkish (mostly Izmir No. 1 white); Russian (virtually all Pervyi 1 1/16 inch); Israeli, reportedly mostly Strict Middling (SM) 1 3/32 Acala type; and Mozambican. The quality of Mozambican cotton has reportedly deteriorated markedly since 1974. Portuguese mills classify most of the Mozambican cotton currently being consumed as Strict Low Middling (SLM).

The major problems confronting U.S. cotton in the Portuguese market are freight rates of 5½ to 6 U.S. cents per pound from most U.S. ports, compared with 3 to 3½ cents for Turkish and other-origin cottons, largely purchased from German, French, and English cotton merchants. Also, nappiness is often cited as a major disadvantage of U.S. cotton.

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Delivery time for cotton purchased in Europe is 8 to 15 days, whereas shipments of U.S. cotton reportedly arrive in Portugal 40 to 50 days after request for shipment from U.S. ports. Buyers attribute much of the delay to the necessary transshipment of containerized U.S. cotton through ports in other countries.

One problem currently facing the Portuguese mills is the financing of cotton imports. Escudo loans against foreign exchange are becoming very hard to obtain because of inflation.

Spain. Cotton textile production here is largely for domestic consumption—approximately 85 percent of the cotton consumed by Spanish mills is marketed domestically. The major export markets for Spanish textiles are in Northern Europe.

Spain's spinning industry consists of 2.4 million conventional ring spindles and 51,300 open-end rotors, the largest open-end rotor spinning capacity in Western Europe. In February, plants were operating at full capacity. But increasing wages, inflation rates of about 14 percent in 1975 and nearly 20 percent in 1976, and high cotton prices have created increasing cost-price pressures.

Spain produces a wide variety of yarn counts. The average count for total yarn spun is believed to be 24's. A substantial amount of the course-count yarns is now being spun on open-end rotors, which efficiently utilize low-micronaire cotton of short- and medium-staple lengths.

Export demand is mainly for 30's and 40's combed yarns. The cottons used to spin export yarn are generally 1 1/16 to 1⅛ inches in staple length, SLM to SM grade, medium to high Pressley strength, and 3.8 or better micronaire.

Spinners recently have been in a profit-margin squeeze as a result of higher cotton prices. Cotton yarn prices were about $1.35 per pound for carded 20's yarn and $1.75 per pound for combed 30's. These problems and competition from manmade fibers have raised some doubt about the future level of activity. February's high cotton prices, for instance, made spinners and merchants reluctant to rebuild below-normal raw cotton stocks.

As a result of such problems Spain's raw cotton consumption in 1976/77 season is estimated to ease to 525,000 bales, for a 5 percent decline from that of 1975/76. Yet U.S. exports to Spain in 1976/77 should set a record of more than 105,000 bales, and Spain may displace Italy as the No. 1 U.S. cotton export market in Europe. The increased U.S. market share can be attributed to reduced availability of domestic cotton and slackening of imports from traditional sources.

Cotton production in Spain has been trending downward for more than a decade as higher value crops replace cotton. The 1976 cotton harvest in Spain has been estimated at 125,000 bales.

With higher world prices, some feel cotton area may increase during 1977. But a continued fall in area and a crop of about 100,000 bales appear more likely.

Italy. Since the early 1970's Italian cotton consumption has gradually moved downward, with mill intake averaging 880,000 bales annually over the past 5 seasons, compared with consumption of around 1 million bales a decade ago. Stronger demands by labor unions for higher wages and more social benefits, coupled with sluggish domes-

tic and neighboring economies, were primarily responsible for this downtrend. In addition, increased use of synthetic fibers in blended yarns occurred as cotton prices became higher and more volatile. More recently, larger imports of low-cost cotton yarns from Turkey have absorbed a greater proportion of the Italian market.

Even with these difficulties, last season Italian cotton consumption rose to almost 900,000 bales, 8 percent above that of a year earlier. Textile production increased to meet improved consumer demand for cotton fabrics, particularly denim, and to replenish low yarn and fabric stocks.

Of the 152 cotton spinning mills in Italy, over 80 percent are located in the northern section of the country, primarily in the Lombardy region. Since the mid-1960's, there has been a general decline in the number of mills and workers in the textile industry and greater emphasis on use of modern and efficient machinery. At the end of 1975, approximately 3.8 million spindles were in place for the entire industry, against about 4.1 million 5 years earlier. However, the number of open-end rotors increased dramatically during that period, from only 4,000 in 1971 to around 36,000 in 1975.

According to textile industry sources, about 60 percent of the cotton spun by the mills is medium to medium-long staple and M to SM quality, followed by short staple (20 percent) and extra-long staple (15 percent). Mills produce a wide variety of yarns, 50 percent of which range from count 12's to 35's.

Cotton purchases are conducted almost exclusively through agents with cash against document as the method of payment. Much of Italy's imported cotton moves overland from merchants in West Germany and France. Cotton arriving by ship usually lands in the port of Genoa.

Mills in early 1977 were operating at full capacity, but stocks of yarns and fabrics have begun to accumulate, reflecting weak consumer demand and intense competition from imported Turkish yarns.

Some spinners and weavers in early 1977 thought the denim boom had slowed and that consumers bought excessively last year, resulting in a need to concentrate spending elsewhere this year. Yarn orders placed with spinners were fairly stable in the last quarter of calendar 1976 but began to fall off in December and were down sharply in January 1977.

Most Italian spinners claimed to be just realizing a profit at the current high cost of cotton, money, and labor relative to prices received for yarns. An Italian textile worker's hourly wage, including benefits, is approximately $5.00, and even at that level absenteeism and low productivity were reported to be serious problems. Reportedly, the c.i.f. Genoa price of cotton suitable for spinning high-quality medium-count yarns was 86 U.S. cents per pound. In contrast, the domestic prices were $1.35 per pound for 20's carded yarns and $1.60 for combed yarns, compared with imported Turkish carded yarns selling at $1.30 per pound. Low-count subsidized Turkish yarns were being used mostly in household items such as towels and sheeting, and in denim.

"Most Italian spinners claimed to be just realizing a profit at the current high cost of cotton, money, and labor relative to prices received for yarns."

During January-September 1976, Turkish imports represented over 50 percent of total yarn imports and were close to double deliveries for the same period in 1975. To cope with the import crisis, Italian spinners are expected to produce less lower count yarns in favor of medium and finer counts, except for low counts produced by open-end-spinning and used in apparel.

Competition from synthetic fibers should become stronger since some spinners may increase their production of blends. In February 1977, polyester staple fiber was selling for about 30 cents per pound less than c.i.f. cotton SM 1 1/16 inch. These factors suggest a drop in cotton use in 1976/77, possibly to 825,000 bales.

Italian cotton imports are also forecast to tail off in 1976/77 as a result of the present strong cotton prices. In addition, as the Italian lira weakens, imported raw products become more expensive.

Current estimates place these 1976/77 imports at some 800,000 bales, compared with over 900,000 in 1975/76. About 12 percent of these imports should come from the United States, which traditionally has been the largest supplier, and counted Italy as its top cotton market in Western Europe. Other important sources of supply include Turkey, the Sudan, and the Soviet Union.

Stocks of cotton were sufficient to cover needs to April 1977; however, forward cotton purchases beyond April have been light.

Interest in U.S. cotton has been good, but higher U.S. cotton prices due to the difference in freight charges between the United States and competitors have directed spinners' demand to closer suppliers. Merchants in Le Havre and Bremen supply a wide range of qualities with less than 15 days overland delivery to the mill and have had good demand from Italian cotton buyers.

Greece. The sharp expansion in the Greek textile industry has resulted in enlarged cotton consumption domestically and smaller cotton export availabilities. Greek mills are processing much of their domestic crop into cotton yarns for export to garner greater foreign exchange. From the 1971/72 crop of 533,000 bales, approximately 275,000 bales were consumed domestically while 327,000 were exported. This season, the Greek crop is estimated at 510,000 bales, with mill use around 550,000 bales and exports of only 150,000.

Cotton imports take place to satisfy particular demands or when supplies are uncommonly tight. Imports have averaged almost 90,000 bales during the last five seasons and come mainly from Egypt, Turkey, Pakistan, and the United States. Imports of U.S. cotton have been as high as 41,000 bales in 1974/75. Normally, however, the Greeks prefer to satisfy their selective import demand with Turkish, rather than U.S., cotton to avoid the higher freight costs associated with U.S. cotton. Greece has suspended cotton trade with Turkey, but this action is expected to be only temporary.

If the Greek textile industry continues to evolve at such a rapid pace, greater reliance may be placed on cotton imports.

Greece has 57 textile mills, of which 44 are spinners only. Present spindleage is estimated at 1.2 million, against about 700,000 just 3 years ago. Some 50 percent of the yarn production is exported, essentially to the European Community.

Greek cotton yarn exports in calendar 1976 were expected to exceed 193,000

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Japan's 1977 Soybean Imports May Rise Slightly

JAPAN'S soybean imports in 1977 could reach 3.6 million metric tons, slightly above those of 1976, because of the continuing recovery of the country's livestock industry. As in 1976, the United States will supply about 92 percent of soybean exports to Japan, according to Larry F. Thomasson, U.S. Agricultural Attaché in Tokyo.

Additional stimulation to the Japanese fats and oils industry in the current year could come from reductions in the nation's large inventories of oil and meal.

The country's fats and oils industry reflects the sluggish pace of Japan's economic recovery from the "petroleum shock" of recent years, Thomasson said. Demand for oils and meals, strong in the first half of 1976, began to slacken by late summer. Many crushers apparently overbought soybeans at prices in excess of $7 per bushel during the September-November period, and reported that they were losing the profits recorded before September.

Higher prices for soybean imports, compared with market prices for their byproducts, caused Japanese crushers to hesitate to buy soybeans as far in advance as they normally do.

Japanese imports of palm oil rose to 141,000 tons during January-November 1976, and total palm oil imports for the year are expected to exceed 150,000 tons—nearly 37 percent more than 1975's. The increasing palm oil imports were a major factor contributing to excessive supplies of oils in Japan, Thomasson reported.

Demand for meal, stronger than that for oil, was so great in 1976 that many feed manufacturers and soy-sauce brewers were fearing shortages of meal. This situation, combined with a desire not to aggravate the position of crushers, led trading firms to increase imports of soymeal and peanut meal.

These actions, however, resulted in an oversupply of meal, pushing meal stocks to high levels that peaked in November at 79,000 tons. As of November 30, 1976, stocks of soybean oil and total edible oils stood at 33,000 tons and 58,000, respectively.

Reflecting the strong demand for meal, Japan's imports of soybean meal in 1976 skyrocketed to 193,000 tons, or nearly 11 times the 1975 level, Thomasson reported. This import volume was the largest since 1973 when 227,000 tons were imported.

Soybean imports during 1976, at 3.55 million tons, scored only a modest gain of 6.6 percent over those of 1975. The 1976 import volume was the largest since 3,635,000 tons were imported in 1973. In 1976, imports of U.S. soybeans amounted to almost 3.29 million tons—about 92 percent of the total soybean imports.

Soybean oil imports in 1976, at 12,305 tons, actually declined from the 13,914-ton level of 1975. The greatest volume of soybean oil imports, a total of 20,436 tons, was realized in 1974.

As a result of rising stocks, member companies of the Japan Oil Processors Association (JOPA) have been forced to curtail operations for a few months until inventories of both oils and meals are drawn down to normal levels, Thomasson said.

Crushers have, in fact, cut back plant operations to about 75 percent of capacity. Because prices still tend to be low, crushers have said they may have to curtail production even more, according to Thomasson.

Wholesale prices for soybean oil were below 1975's levels, but the price drop of rapeseed oil was even greater compared with year earlier levels.

Soybean planted area in Japan declined about 5 percent to 83,000 hectares in 1976, despite a 10-percent rise in the Government support price of $21.28 per bushel, which included an incentive payment of $5.35.[1] The 1976 soybean production dropped 13 percent to 109,500 tons, and preliminary forecasts for 1977 are placed at about 100,000 tons—the lowest in the last 6 years. A further decline in area, to 78,000 hectares, is predicted for 1977.

[1] **Based on average yen-dollar exchange rate in 1976 of 297 yen equal to US$1.**

MTN Concessions on Tropical Products

The first concrete results of the Tokyo Round multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) resulted in trade concessions on tropical products to developing countries.

Effective January 1, 1977, these trade concessions and contributions—covering not only primary products, but in some cases semiprocessed and processed products as well—were made by the European Community, Australia, New Zealand, Finland, Norway, Sweden, and Switzerland. Japan, Austria, and Canada are expected to put measures into effect after necessary national procedures are completed.

Many developing countries derive a major part of their earnings from exports of tropical products, such as coffee, cocoa, tea, and spices, plus a variety of other goods—such as tobacco, sugar, fish, jute, fruits, and vegetables—raw, semiprocessed, or processed.

The latest stage in the trade-liberalizing talks singled out tropical products so that developing countries could start benefiting from these concessions before the overall Tokyo negotiations are completed. The United States has offered concessions on a most-favored-nation (MFN) basis covering a range of items of interest to developing countries. Negotiations on the U.S. offer are still in progress.

Australia's trade concessions—either duty-free rates or reduced MFN duties—cover 47 items, including tea, spices, and certain cocoa and jute products. The EC's common external tariff has been suspended partially or completely on an MFN basis for about 22 products including nondecaffeinated unroasted coffee, cocoa, pepper, and other spices. The EC also will improve its scheme of generalized preferences (GSP) for about 159 tariff products, including all manufactured and certain unmanufactured tobacco.

Finland has reduced MFN duties on unroasted coffee, and has announced it will provide duty-free treatment under GSP for shrimps and some tropical fruits. Also, Norway has agreed to provide GSP duty-free treatment for roasted and instant coffee and raw and refined sugar.

Among Switzerland's GSP improvements for 145 tariff items are certain coffees (including extracts and essences), cocoa beans, and some cocoa products.

Prices of 10 Food Items Up In Seven Capitals

RETAIL PRICES of 10 or more selected food items were higher on March 2, 1977, than on January 5, 1977, in seven world capitals—Brasília, Brussels, Buenos Aires, London, Ottawa, Tokyo, and Washington—of the 15 surveyed by FAS on these dates.

In contrast, The Hague reported prices of 13 food items unchanged for the second consecutive reporting date in the bimonthly FAS price survey, and in Copenhagen, where a Government price ceiling was imposed on many food items during December-February, prices for 13 items remained unchanged since the previous survey.

Copenhagen's prices for food items under Government ceilings during the 3-month period are expected to rise by 5-10 percent as a result of the removal of the ceilings on March 1.

Pork prices in Copenhagen are not expected to increase, however, as producer prices for this commodity have decreased since the start of the year, reflecting reduced marketings and competition from pork producers in the United Kingdom.

The price of sirloin steak in Brussels was up 1 percent on March 2 from the January 5 level, nearly reaching the record set in November. Heavier demand for cheaper beef cuts caused chuck roast prices to advance by 3.4 percent to the highest level since 1973.

In Canberra, meat prices were lower than in the previous survey, reflecting plentiful supplies. Australia's currency devaluation and increased exports have not yet resulted in improved cattle prices, as marketings have been very heavy for the past several months.

Rome's meat prices have fallen for the first time in many months, largely because of low demand following the record-high prices of the Christmas season.

Buenos Aires reported an 18 percent increase for broilers and a 72 percent jump in egg prices. Brazil's poultry industry has been depressed in part by higher feed costs—a trend confirmed by recently published data showing reduced output.

In Japan, egg output increased during 1976, but cold weather in January and February held down the laying rate, resulting in a 16 percent rise in retail egg prices.

London's higher butter and cheese prices reflect the end of the butter subsidy and a cheese subsidy reduction that took effect in January. Advances in margarine prices are partly the result of rising vegetable oil costs.

Milk prices in Buenos Aires were 23 percent higher in March than in January, reflecting a 25.7 percent boost in fluid milk prices put into effect by the Government on February 1. The increase has been criticized by dairy farmers as inadequate.

Potato prices in Brussels dropped 36 percent to a level about 30 percent below that of a year earlier because of increased offers of previously underestimated domestic stocks of lower quality potatoes.

In London, potato prices have been declining in the face of larger supplies and consumer resistance to high prices. Farmers, concerned over the possibility of an extended price decline and quality deterioration, have been bringing stocks out of storage.

—SIDONIA R. DICOSTANZO, FAS

FOOD PRICE INDEX CHANGES IN SELECTED COUNTRIES[1]

Country	Latest month	Index 1970=100	Percent change from Prev. month	Three months	One year
Argentina	Jan.	11,909.6	+ 4.0	+ 39.5	+ 358.7
Australia	Sept.	180.7	+ 1.7	+ 4.2	+ 12.7
Belgium	Jan.	170.4	+ 1.4	+ 3.2	+ 10.2
Brazil	Jan.	495.0	+ 6.3	+ 11.7	+ 49.7
Canada	Jan.	169.9	+ 1.3	+ 1.4	+ .7
Denmark	Jan.	192.8	+ .3	+ 2.1	+ 14.8
France	Jan.	185.4	+ .6	+ 2.2	+ 10.7
Germany	Jan.	140.8	+ 1.7	+ 3.4	+ 5.6
Italy	Dec.	221.0	+ 1.7	+ 6.3	+ 22.5
Japan	Jan.	203.6	+ 2.5	+ 1.1	+ 8.1
Mexico	Jan.	245.6	+ 4.4	+ 10.5	+ 25.9
Netherlands	Jan.	158.9	+ .1	+ .2	+ 10.1
Sweden	Jan.	179.2	+ 2.9	+ 4.1	+ 12.2
United Kingdom	Jan.	283.0	+ 4.0	+ 8.1	+ 23.5
United States	Jan.	159.6	+ .9	+ .9	+ 1.4

[1] Based on official price indexes. On a yearly basis, food price indexes for 13 countries were higher in January 1977 than in January 1976. Canada and the United States had the smallest increases. The January index for Italy was not available, and the Australian Government is in the process of revising its food price index.

Data Qualifications

Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currency prices, and are not directly affected by exchange rate fluctuations.

Food prices of selected commodities are obtained by U.S. Agricultural Attachés on the first Wednesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of the compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED WORLD CAPITALS, MARCH 2, 1977
[U.S. dollars per kg or units as indicated,[1] converted at current exchange rates]

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork, boneless	Ham, canned	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese: Edam, Gouda, or Cheddar	Milk, whole, liter	Oil, cooking, liter	Tomatoes	Onions, yellow	Potatoes	Apples	Oranges, dozen	Bread, white, pkgd.	Rice	Sugar
Bonn	9.41	5.89	5.69	9.62	[2]	7.51	2.14	1.35	3.33	1.61	3.64	0.43	1.59	1.74	0.74	0.37	0.62	1.53	0.66	1.38	0.67
Brasilia	1.81	1.15	2.08	4.99	4.99	5.94	1.33	.82	2.69	1.15	3.19	.25	1.00	.59	.33	.39	1.82	.69	1.13	.43	.35
Brussels	9.18	4.95	4.07	4.29	6.50	3.55	2.51	1.34	3.94	1.75	4.62	.46	1.34	2.27	.74	.25	.90	1.26	.78	.98	.79
Buenos Aires	1.67	.95	1.33	[2]	[2]	[2]	1.09	1.05	2.16	1.38	2.18	.16	1.74	.41	.17	.15	.54	.50	.54	.52	.53
Canberra	3.61	2.15	3.63	3.51	5.57	4.43	1.84	1.01	1.87	1.76	2.78	.40	2.18	.94	.61	.34	.51	1.05	.82	.79	.35
Copenhagen	11.54	5.28	6.11	6.45	7.27	5.74	2.24	1.43	3.74	1.50	3.90	.47	1.79	2.71	1.35	.50	1.11	.81	1.38	1.17	1.25
London	5.90	3.48	3.10	2.50	3.40	3.78	1.51	.93	2.08	1.25	2.42	.31	1.29	1.59	.49	.45	.95	1.54	.45	.87	.44
Mexico City	2.11	2.07	1.75	2.57	[2]	2.77	1.39	.54	2.55	1.37	5.29	.25	.80	.17	.37	.36	.63	.16	.48	.52	.27
Ottawa	4.19	2.50	4.19	3.13	4.87	3.39	1.72	.91	2.46	2.10	3.79	.49	1.82	1.46	.59	.23	.95	1.43	.74	1.10	.44
Paris	6.82	3.78	[2]	4.81	6.03	8.04	2.09	1.26	3.20	1.32	3.52	.36	1.15	1.33	.64	.36	.58	.82	1.52	1.02	.51
Rome	6.78	5.42	4.29	4.29	4.90	3.94	1.95	1.11	3.84	1.58	3.96	.44	.99	1.70	.68	.45	.44	.94	.88	1.14	.63
Stockholm	11.05	7.39	5.67	10.48	7.32	7.20	3.40	1.83	3.25	2.33	4.98	.37	4.85	3.62	1.51	.56	1.18	1.75	1.84	1.23	.83
The Hague	9.03	5.41	4.41	5.61	5.18	7.19	1.87	1.28	3.36	1.16	4.02	.40	1.08	1.57	.59	.24	.40	.96	.51	.84	.64
Tokyo	20.13	15.40	7.82	6.80	11.92	8.05	2.84	1.17	5.03	2.85	5.67	.75	1.58	1.77	.72	.59	1.54	4.54	.97	.98	.85
Washington	4.17	2.69	4.54	5.56	5.34	3.57	1.19	.81	2.91	1.68	4.81	.50	1.85	1.46	.79	.35	1.06	2.40	1.12	.71	.51
Median	6.78	3.78	4.24	4.90	5.46	5.09	1.87	1.11	3.20	1.58	3.90	.40	1.58	1.57	.64	.36	.90	1.05	.82	.98	.53

[1] 1 kilogram=2.2046 pounds; 1 liter=1.0567 quarts. [2] Not available. Source: U.S. Agricultural Attachés.

Imports of U.S. Farm Products Rising Rapidly in United Arab Emirates

Agricultural exports from the United States to the United Arab Emirates (UAE)[1]—whose residents have the world's highest per capita income—are likely to grow rapidly during the next 3 years.

When the UAE was formed in 1971 from the former British protectorate of the Trucial States, it was importing less than $1 million worth of U.S. farm products annually.

By 1976, the value of U.S. farm exports to UAE had risen to $13 million, and in 1977 the total is expected to jump to the $22-$25 million range.

Among the U.S. exports expected to share in the expanded market are wheat flour, rice, frozen poultry, fruit juices, beverage ingredients, nuts, beef, canned fruits and vegetables, and a wide array of processed foods.

Total agricultural imports by UAE rose from about $88 million in 1972 to almost $400 million in 1976. Only 3 percent of the 1976 food imports came from the United States. The major suppliers were Pakistan, Australia, India, France, the People's Republic of China (PRC), Denmark, and Lebanon.

Pakistan supplies about three-fourths of UAE rice imports, which averaged more than 110,000 tons annually during 1972-76. India and the PRC were slightly larger suppliers to UAE than the United States during this period.

The dominance of long-grain basmati rice in the UAE tends to restrict sales of U.S. rice to a residual position and a small volume of packaged rice. The United States shipped 1,000 tons of rice, valued at $672,000, to UAE in 1976.

Sales of some U.S. farm products are scoring strong gains in this market despite intense competition from other suppliers. Some examples of rapid-growth U.S. exports to the UAE include frozen poultry, beef, almonds, fruit juices, canned vegetables, cream substitutes, beverage ingredients, cornstarch, and pulses.

U.S. exports of frozen poultry to the UAE quadrupled in 1976, reaching 809 tons valued at $1.1 million. However, Denmark supplied more than a third of UAE poultry imports, which totaled about $40 million. West Germany and France also have shared in the booming sales of poultry in this market. Exports from the latter three countries benefit from EC export subsidies.

Australian exports of beef to the UAE rose from 1,100 tons in 1975 to 3,000 tons in 1976, while deliveries of U.S. beef rose from 20 tons to 72 tons valued at $317,000. Imports of beef from Latin America increased sharply.

Exports of U.S. almonds to the UAE increased 53 percent in 1976 to $554,000. Sales of U.S. peanuts and mixed nuts also increased markedly.

Exports of U.S. beverage ingredients for use in soft-drink bottling plants of the UAE increased from $407 in 1975 to $1 million in 1976. U.S. exports of fruit juices rose 48 percent to $621,000 in 1976, but the value for deliveries by Japan exceeded $2 million. U.S. exports of tomato juice to the UAE reached $74,000 in 1976—double the 1975 value.

Other items whose total annual U.S. export value is still below $500,000 but which are enjoying unprecedented growth rates include popcorn, peanut preparations, corn chips, bakery products, honey, candy, coffee preparations, vegetable seeds, and cheese. U.S. snack foods are popular among the thousands of immigrant workers in the UAE.

The opening of modern supermarkets, fast-food restaurants, and luxury hotels in the UAE is expected to accelerate imports of processed foods.

New port facilities and refrigerated warehouses at Dubai, Abu Dhabi, and Sharjah will allow efficient unloading and distribution of imported food.

Imports of wheat flour from the United States should rise as new bakeries open. U.S. exports of flour to the UAE increased from 5,000 tons in 1975 to 9,000 tons valued at $1.4 million in 1976.

Deliveries of Australian wheat flour rose from 49,000 tons in 1975 to 64,000 tons in 1976.

While Australia dominates UAE imports of wheat flour, wheat, and beef, and Pakistan supplies most of the rice, the United States is likely to become more important as a supplier of snack foods, beverages, and frozen poultry.

—JOHN B. PARKER, JR., ERS.

[1] A federation consisting of Abu Dhabi, Dubai, Sharjah, Ras-al-Khaimah, Fujairah, Ajman, and Umm-al-Quiwan.

World Dairy Surpluses Continue High in 1977

By ABRAHAM AVIDOR
Dairy, Livestock, and Poultry—Foreign Commodity Analysis
Foreign Agricultural Service

DESPITE SEVERE droughts that hit Europe and Australia in mid-1976 and measures in Canada to control production, the worldwide dairy surplus shows no real signs of abating in 1977.

Increased guaranteed dairy price supports, coupled with high retail prices, are working against any significant reduction of this surplus.

On the supply side, higher support prices encourage excessive production and diversion of milk into manufacturing rather than for feed use on the farm.

Yet, on the demand side, rising retail prices and recession-squeezed consumer incomes in most Western market countries are dampening dairy consumption.

For nonfat dry milk (NFDM) and to a lesser extent for butter, commercial demand is declining because of competition from lower priced vegetable proteins as well as cheaper substitutes for milk fat. Cheese, however, continues to enjoy a good consumer demand.

During 1976 and early 1977, increased milk production together with stagnating consumption in most large dairy producing countries resulted in supply situations ranging from adequate to burdensome.

Significant drops in dairy output during 1976 occurred only in Australia and Canada. Australia's dairy production was curbed primarily by drought-reduced milk deliveries, while overproduction in Canada was prevented by a Government program.

The European Community (EC), the largest producer and consumer of dairy products, continues to dominate world dairy surpluses. An ever-growing milk output, stimulated by increased support prices, has triggered a sharp buildup of stocks in recent years.

For butter and its complement NFDM—the products for which intervention prices are paid—output clearly overrides commercial demand. In fact, EC stocks of both products comprised more than half of the world's total at the end of 1976, despite intensive disposal efforts throughout the year. Furthermore, in the absence of sizable disposal programs, the Community's butter and NFDM surpluses will continue to surge in 1977.

The EC's cheese surplus did not grow in 1976 because production was held in line with commercial use. Still, cheese carried over into 1977 made up more than one-third of the global total. The EC cheese sector seems headed in 1977 for a moderate stock increase with production outstripping demand.

A look at the world milk and dairy product situation in 1976 and outlook for 1977 follows:

Milk. The established long-term growth trend in world milk output continued in calendar 1976. Milk output during 1976 in 37 major producing countries reached a record 390 million tons, up nearly 2 percent from the 1975 level. The 1976 net increase resulted mainly from gains in U.S. and EC output.

World milk output is forecast to stage another gain of nearly 2 percent in 1977, barring dry conditions for pastures and crops in leading producing countries.

Milk output in the United States in 1976 rose substantially (4.4 percent) from the 1975 level to 54.6 million tons, the largest production since 1965. The increase was prompted by higher farm milk prices that resulted from increased commercial use of most dairy products—especially cheese—and a rebuilding of low dairy stock levels.

Milk output in 1977 may rise 2-3 percent under the incentive of increased price supports.

After running considerably above year-earlier levels in early 1976, Canada's industrial milk output declined sharply later in the year. The seasonal production pattern was reinforced by the 1976/77 dairy policy of the Canadian Government, which has been effective in bringing industrial milk production in line with market requirements through quota restrictions and a severe fine for over-quota deliveries.

Milk output for all of 1976 of about 7.7 million tons was slightly below the 1975 level, mainly because of a 4 percent drop in cow numbers. If the current Federal dairy policy continues in 1977, Canadian milk production may decline marginally from the 1976 level.

Following a severe summer drought, the generally mild and wet fall in most EC countries brought marked improvement in feed conditions, as parched brown fields became bright green pastures. With the need to conserve fodder supplies for the winter, the feeding of concentrates was stepped up.

Consequently, monthly milk outputs in late 1976 and early 1977 in most EC countries reached or slightly surpassed the prior year's levels. At 100 million tons, the Community's milk output for 1976 exceeded the 1975 level by 2 percent, mainly because of the strong gains posted during the first half of the year.

Depending on policy decisions, EC milk output may rise a further 2 percent in 1977, mainly as a result of large increases in Ireland, Italy, and the United Kingdom.

In Ireland, cow numbers are up, and production per cow is rising because of improved cow management and breeding.

The expansion in milk production in the United Kingdom and Italy—both dairy-deficit countries—is attributed primarily to national dairy policies that aim at reducing the need for heavy dairy imports.

The EC's proposed dairy package for the 1977/78 marketing year calls for:

- A freeze on dairy prices in the first half of the year and a small increase in the second half. A producer coresponsibility levy to be applied from September 16 at the rate of 2.5 percent of the milk price will cancel all but 0.5 percent of the 3 percent increase in the target price for milk destined for the second half of the year.
- Increased subsidies to stimulate dairy consumption, especially butter.
- Long-term structural measures—concentrating mainly on reducing the numbers of small dairy farms—to eliminate gradually the EC's chronic dairy surpluses.

Because of a gradual recovery in output per cow and increasing cow num-

Left: Packaging cheese for shipment, Denmark. Right, Cream being weighed and tipped into receiving vats at a New Zealand dairy processing plant. World milk output is expected to increase nearly 2 percent in 1977.

bers in the socialized sector, the USSR's 1976 milk output reached nearly 89 million tons. Production in 1977 may regain the 1975 level of 91 million tons as a result of heavier feeding and higher yields per cow.

Unlike other major producing countries, Australia has experienced declining milk output for the past 6 years because of droughts in the main dairying states and adaptation to shrinking export markets. In the 1976/77 season an additional decline of about 10 percent to 5.8 million tons is projected.

Owing chiefly to excellent grazing conditions, New Zealand's milk production throughout most of its 1976/77 dairy year has been bouyant. Barring dry conditions late in the season, it could be a record year (6.7 million tons) for New Zealand's dairy industry.

Butter. Stimulated mainly by the incentive of price supports, butter output in 37 major producing countries rose more than 2 percent in 1976, reaching 5.7 million tons.

Butter consumption, at the same time, stagnated or continued its generally declining trend, largely because of competition from margarine.

World trade in butter grew in 1976, with an increase of nearly one-fourth in butter exports by New Zealand. Reflecting increasing production and lower consumption, butter stocks—held mostly by the EC and New Zealand—grew 20 percent during 1976 to 600,000 tons.

Similar global trends of higher production, reduced commercial use, and increased stocks are forecast for 1977.

Butter output in the United States during 1976 approximated the 1975 level, following a comeback in the second half of the year. The wholesale price of butter has stayed near its price support level since mid-October, thus leading to large support purchases. Butter output will turn upward slightly in 1977, with wholesale prices remaining around support levels through the summer, in response to higher price supports.

The EC butter market was not relieved in 1976. Spurred by nearly 7 percent higher intervention prices, output rose by about 4 percent with sizable gains in West Germany, Ireland, and especially the United Kingdom. Since commercial demand for butter is saturated, the increased output resulted in additional stocks.

THE EC BUTTER situation in 1977 will worsen because of the shrinking of the U.K. butter market, which generally absorbs more than one-half of the intra-EC butter trade.

Trade sources indicate that in late February, the EC contracted for the sale of 36,000 tons of intervention butter to the USSR and other East European countries at a highly subsidized price of nearly 40 cents per pound. Based on the intervention price of $1.36 per pound in Denmark, the export subsidy amounts to nearly $1 per pound, or about 70 percent of the total cost.

Following their seasonal decline, EC intervention butter stocks totaled 230,000 tons in late February. Rising milk production in the coming months may result in EC butter stocks topping 400,000 tons by September.

In Oceania, Australian butter output in 1976/77 will be down sharply from the year-earlier level, following reduced milk deliveries and efforts to maintain cheese exports to traditional markets, especially Japan.

New Zealand, however, is diverting more manufacturing milk into butter-casein production because of bleak prospects in the international cheese and NFDM markets. New Zealand has secured preferred access to the British butter market through 1980 and is attempting to expand and diversify butter exports to the developing nations.

In its 1976/77 dairy year, New Zealand expects to produce a record 279,000 tons and export a record 220,000 tons of butter.

Cheese. Cheese output in 37 principal producing countries continued its long-term expansion in 1976 as prices and commercial demand remained firm worldwide.

Output in 1976 rose nearly 5 percent, reaching 7.6 million tons, with the United States accounting for nearly two-thirds of the net increase.

Consumption of cheese kept rising in 1976 but at a slower pace than production, giving rise to nearly 8 percent higher yearend stocks. The uppermost factor in world trade in cheese in 1976 was EC exports (excluding intra-trade) which comprised over two-fifths of the total.

In the wake of firm demand and attractive producer returns, world cheese production, consumption, and exports probably will continue to grow in 1977.

At 1.5 million tons, the United States registered a record cheese output in 1976, up nearly one-fifth from 1975's level. The increased production is attributed primarily to rising commercial demand and the resulting diversion of a large portion of manufacturing milk into cheese production.

Because of sustained high production, the wholesale price of cheese has remained around its price support level

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ARGENTINE FARMERS SEE BRIGHT YEAR AHEAD

ARGENTINE FARMERS, buoyed by results last year under the Government's new policies to encourage the country's agriculturists, see great promise for the future, although some observers are less optimistic.

Marking a major turnaround in the 30-year economic stance of the Government, which favored industrial development at the expense of the farm sector, the new policies (stated or implied) were to increase producer prices, aline local prices with those on the world market, eliminate export taxes, provide realistic exchange rates for exporters, and return to a free market situation the meat and grain trade, which had for some time been controlled by the National Meat and Grain Boards. The program also intends to aid production by developing a new agricultural tax system, eliminating domestic price controls, and encouraging foreign investments.

The Government moved surprisingly fast in 1976 to implement these policies, and producers have been extremely responsive. In early May, the Secretary of Agriculture and Livestock launched a campaign to up sown wheat area to 8 million hectares. Although this goal implied a too-ambitious increase of 40 percent in 1 year, farmers did boost plantings by a sizable amount despite adverse sowing conditions. The expanded area might have resulted in a record crop had harvest weather been better.

Aiding the wheat campaign were a higher support price, greatly expanded credit lines, a special wheat seed price, and credit grants for expanded storage facilities.

The Government returned edible oil and grain sorghum transactions to the free market in late May, and corn in July. Sugar became the first agricultural commodity to be traded at the free exchange rate, with rice following shortly after. And in August, the Government announced that exports of 1976/77 crop wheat and some other grains would be made at the free market exchange rate, subject only to an export retention rate of 10 percent, down from the previous 40 percent.

Following the same policy, wheat trade was returned to the free market in September and its 10 percent retention tax was temporarily lifted in late November. At about the same time, all agricultural exports were shifted to the free exchange rate, and the Government adopted a policy of making daily rate adjustments. In December, the export retention tax on corn and grain exports from the new crop was reduced from 40 percent to 10 percent.

Thus, at the beginning of 1977, differential exchange rates had been eliminated, the State's monopoly role in grain trading had been ended, domestic price controls had been lifted, and the export retention taxes had been cut to a maximum 10-percent level, while that for wheat had been removed. These moves in turn have given Argentine farm commodities a competitive thrust they have lacked for some time and buoyed farmers' hopes for increased income from exports.

The livestock sector will be little affected by the new Government policies, having been under fewer restrictions previously. They will, however, benefit from the improved exchange rates and the elimination of plant-by-plant export quotas. Also, although the National Meat Board has not engaged in direct export sales recently, the return of the meat trade to the free market will tend to remove any fears producers might have had regarding the future.

During 1976, the Government's objective was to raise producer prices as a stimulant to increased production. There are indications that during 1977, the Government may concentrate on finding means to lower the cost of inputs and thereby encourage greater use of technology as a means toward boosting production even further. Farmers are showing increased interest in the use of fertilizers and new farming techniques. Also, the Argentine Government is working with several of the international lending institutions for infrastructure loans for projects such as storage expansion. A recent loan of $60 million was signed with the Inter-American Development Bank for silo construction, and studies are underway with the World Bank for development of storage facilities.

Impact of these Government farm policies on the economy as a whole will be profound, since the farm sector accounts for 12-15 percent of the gross domestic product, hires some 15 percent of the country's labor force, and provides 70-80 percent of all exports.

A look at the recent past illustrates the farm sector's influence on the country's well-being. For example, the value of agricultural exports rose to $3 billion in 1974 from $2.6 billion the previous year, and Argentina had a trade surplus of $295.8 million. One year later—largely because of the virtual closure of the European Community to beef exports from third countries, and smaller corn and sorghum exports—the value of foreign sales sank to $2.2 billion and the country suffered a $985.2-million trade deficit.

In 1976, Argentina's economy remained sluggish at the end of the year with a gross domestic product calculated at about 3 percent less than the previous year's, but the increased value of farm exports converted the 1975 trade deficit into an approximate $800-million trade surplus.

The value of Argentina's agricultural exports was placed at $2.9 billion, 30 percent higher than in 1975—largely because of a stepup in beef, hide, and wool exports. For 1977, preliminary forecasts indicate that the value of farm exports could increase some $560 million. But despite an expected rise in the volume and value of beef exports and larger grain shipments, this projection could be upset if unit prices also fail to advance. Volume and value of oilseeds and products exports may also increase in 1977, compared with 1976's, and export values of wool, cotton, and sugar are expected to rise.

Production. Enthusiastic producer response to the new agricultural policies resulted in a 10 percent rise in the area sown to grains and oilseeds, and, abetted by extremely favorable moisture conditions in most areas, their combined 1976/77 harvest may be a record 30 million tons, 25 percent greater than in the previous season. Production index data indicate that between calendar 1975 and 1976, farm output increased 6 percent, led by rises of 12 percent for meat, 5 percent for grains, 31 percent for oilseeds, and 9 percent for fruit. Production of poultry, tobacco, and cotton were all lower than in 1975.

With production registering a major increase, beef exports doubled and domestic consumption continued to rise. Exports in 1976 were 529,000 tons (carcass weight basis) versus 262,000 tons in 1975. Output of pork, mutton, and lamb also

climbed in 1976, but production and consumption of these meats are still low compared with beef.

The Argentine poultry industry remained in a distressed state in 1976 because local demand was dampened by the availability of relatively less expensive supplies of beef. Per capita poultry consumption is now 9 kilograms. Some poultry exports were made in 1976, but the level was lower than earlier had been expected because high production costs pushed Argentine poultry prices higher than those on world markets.

The poultry industry could begin to recover in 1977, as a strong export demand is indicated for beef, and local prices are expected to rise. Beef outturn for 1977 is forecast at a lower level than in 1976, but despite this drop, exports may increase by 70,000 tons, or 13 percent.

Also expected to increase are milk production and exports of cheese, butter, and nonfat dry milk. In 1976, wool output rose for the third year running, and exports may increase by around 50 percent on an October 1976-September 1977 wool-year basis.

Grain production in 1976/77 is estimated to be 5 percent higher than in 1975/76. Initially expected to set a record, the wheat harvest in late 1976 and early 1977 was damaged by heavy rains, yet output was still 28 percent greater than the previous year's, and around 75 percent higher than that of 1974/75. As of early January, the outlook for the 1976/77 corn and grain sorghum crops was optimistic. Although area is down as a result of farmers' shifting to other crops, yields are setting new records. Consequently, corn production may increase some 28 percent and that of grain sorghum, by at least that percentage.

As a result of the improved harvests, total grain exports this year could shoot as high as 13.5 million tons from about 10 million in 1976 and 8 million in 1975.

On February 16, 1977, the Argentine Wheat Board informally requested that grain shippers temporarily refrain from applying for export permits while the Board assessed the wheat supply situation. The Board apparently is unsure about the size of the Argentine crop just harvested. Its current estimate is 11 million tons, which would allow about 6 million tons for export, while maintaining carryover stocks at last year's moderate level of about 1.5 million tons.

If, indeed, only 6 million tons are available for export from the current crop, the Argentines are already virtually fully committed. The Grain Board has entered bilateral agreements for 1.5 million tons, and the trade has permits for exports of 4.4 million, for a total commitment of 5.9 million. Further sales are still possible since part of the wheat covered by permits already issued to the trade reportedly has not yet been sold to foreign buyers. It is just the approval of new export permits that has been temporarily suspended by the Board.

The combined 1976 oilseed crop was around 3 million tons, including the greatly increased sunflowerseed and soybean harvests of early 1976 and the larger flaxseed crop of late 1976 and early 1977. Exports of oils and meals rose in 1976 and direct soybean exports were authorized. Further boosts in sunflowerseed and soybean outturns are expected in 1977, and cottonseed production will also be larger. Thus, exports of oils and meals will continue to rise, and further direct exports of soybeans may follow.

Total fruit production rose by around 9 percent in 1976, with larger harvests of grapes, pears, and peaches. Output of apples and most citrus fruits fell. Total fruit exports climbed to 328,000 tons in 1976, versus 296,500 tons in 1975. Although hit by severe frost in 1975, Argentina's 1976 sugarcane crop rebounded to a level 3 percent higher than the previous crop, and the 1976/77 sugar output is expected to climb nearly 20 percent higher, with higher sucrose yields. Sugar exports during the 1976/77 season may be as high as 500,000 tons. They were just 201,300 tons the previous season.

Although cotton production fell sharply during 1976, the reduced plantings had little effect on the sizable exports because on-hand stocks were large. The outlook for 1977 is for an increase in cotton production, as many farmers in the north —unable to plant sunflowerseed because of an earlier drought —sowed the area to cotton in an effort to cash in on favorable prices.

Potato output was up in 1976, compared with 1975, but both sweet potato and cassava production declined.

An important development that became apparent toward the end of 1976 was a shift in relative prices in favor of livestock over crops. Although favoring crop output in recent years, farmers began to shift late last year, prompted by stronger international demand for beef and weakening grain prices. For example, as of mid-January 1977, in terms of local prices, it took nearly 6 kilograms of wheat to equal 1 kilogram of beef, whereas in January 1976, 3 kilograms of wheat equaled 1 kilogram of beef. In 1975 and 1976, cattlemen liquidated sizable portions of their herds, but as of early 1977, they apparently began to retain cattle for breeding.

Trade. In terms of agricultural products, Argentina has a favorable trade balance with the United States, and 60-70 percent of all Argentine exports to the United States are of farm origin. However, only about 1-2 percent of U.S. exports to Argentina are agricultural, giving the United States a favorable overall trade balance. Except in limited cases, U.S. agricultural exports to Argentina are highly technical items, such as breeding cattle, hatching eggs, and seeds.

During calendar 1976, U.S. agricultural exports to Argentina declined 34 percent to $5.7 million, owing mostly to reduced cattle shipments. In 1976, the United States exported 45 head to Argentina, compared with 527 head in 1975. Having prohibited cattle imports in 1975, Argentina reopened them in mid-1976, and trade sources reported purchases of 500 U.S. animals through mid-January 1977. There is keen interest in Brahman cattle for the north of the country, but purchases of Anguses and Herefords are also reported to be high. With the renewed policy emphasis on agricultural production, sales of U.S. high-technology farm products should increase.

Argentine farm exports to the United States have been increasing and during 1976, U.S. agricultural imports from Argentina rose 7 percent to $155.3 million. The leading items shipped to the United States included processed meat, sugar, fruit, and casein. Exports of wool, cheese, and honey are rising. Other significant exports to the United States are tung oil, tobacco, and tea. —Based on report from

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World Dairy Surpluses

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since October, and the CCC has made large support purchases.

Cheese output is expected to continue rather strong in 1977, with purchases continuing until the fall.

EC cheese output in 1976 grew 1.5 percent to nearly 3 million tons—a slower rate than for other dairy products largely because of the industry's self-imposed quotas on production in the first half of the year. In late 1976, a greater part of the increased milk production found its way into cheese.

Consumption rose by more than 2 percent in 1976, reflecting an overall firm demand, and stocks declined to 277,000 tons at yearend. Exports of cheese to destinations outside the Community rose over 30 percent in 1976 and controlled the world trade in cheese. During 1977 EC cheese stocks will likely resume growth.

In Australia, cheese output in 1976/77 may be down about 4 percent because of reduced milk supplies. New Zealand's cheese output and surplus will probably fall 50 percent in 1976/77 as a result of the priority given to butter production.

Nonfat dry milk. The large worldwide expansion of NFDM output in 1975 was not repeated in 1976. Production of NFDM in 30 major dairy countries rose only 0.4 percent in 1976 to nearly 4 million tons.

A moderate gain in Europe was almost fully offset by major declines in North America and Oceania. World consumption and exports in 1976 each increased by about 30 percent, mainly because of the EC's massive domestic and foreign disposal efforts.

As a result of static production and increased consumption, world NFDM stocks grew at a much slower rate than in 1975. They amounted to 2.1 million tons at the end of 1976. Unchanged levels of world production and consumption suggest similar yearend stocks for 1977.

Output of NFDM in the United States was down through mid-1976, but along with butter it exceeded year-earlier levels in the second half of the year. Throughout 1976, the wholesale price of NFDM remained near its price support level, causing large support purchases.

Production of NFDM in the EC rose about 2.5 percent in 1976, mainly in a response to a 3 percent intervention price increase. Use of NFDM during 1976 increased by half, owing mainly to the mixing of nearly 370,000 tons into animal feeds.

To phase out the outstanding deposit certificates from the compulsory feeding scheme from November 1976 through mid-April 1977, the EC is offering intervention NFDM at a highly subsidized price competitive with imported soybean meal.

The relentless growth in the Community's NFDM stocks has been stayed. Intervention stocks reached 957,000 tons in early March, down significantly from their peak of 1.3 million tons in September 1976.

This reduction was achieved through sales of NFDM under the compulsory feeding scheme and the related subsidy program, food aid shipments, and subsidized exports for feed use.

Along with butter, Australia's NFDM production and stocks are expected to be down sharply in 1976/77. Because of a shift to casein—a product for which export prospects are good—New Zealand's NFDM output and stocks may decline nearly 30 percent.

Cotton in Southern Europe

Continued from page 4

bales, raw-cotton equivalent, valued at $115 million. This is up 15 percent in volume from 1975 exports and nearly three times those of 1970. The principal yarn export market is West Germany, taking over one-half of total shipments. Other main buyers are France, Italy, and the Netherlands.

Yarns produced in Greece are very good quality, averaging 25's but ranging up to the 60's. In West Germany, combed Greek yarn (basis 30 count) sells for $1.75 per pound, and carded, for $1.57 per pound. Delivery time is 4 to 6 days by truck.

Spinners in Greece mentioned that the high cost of cotton was cutting into profits. The price for cotton in Greece is based on the "Index 'A'" price [1] discounted by transportation and other costs by the Hellenic Cotton Board to reflect what price that cotton would sell for on the Greek spot market. The domestic price for SM 1 1/32-inch cotton in early February was 82 cents per pound.

Textile wages in Greece are lower than they are in EC countries. Hourly wages for Greek textile workers, including all fringe benefits, are between $2.40 and $2.50. EC countries have complained of the large upturn in exports of Greek yarns. Any future measures taken by the EC to slow Greek yarn imports, of course, would impede cotton consumption in Greece.

Current strong worldwide cotton prices are expected to encourage Greek farmers to increase plantings in 1977/78 by around 20 percent to 180,000 hectares. The resulting crop could reach about 700,000 bales.

[1] **Average of 5 cheapest of 10 growths, indicative quality SM 1-1/16 inch, c.i.f. Northern Europe.**

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